



AUDIT REPORT - DEPARTMENT OF TRANSPORTATION

Audit Report Released. The State Auditor's Office recently released the annual audit report of the Department of Transportation for FY 2016.

Payroll. The Auditor's Office reported one finding related to payroll and made a recommendation to prevent future improper payroll practices. For 14 employees of the Motor Vehicle Enforcement Division who worked on multiple programs, the Department used predetermined hours for work performed, instead of actual hours, to allocate payroll costs for each program. The errors appear to be due to employee oversight.

- **Recommendation** — The Department should ensure that employees record actual hours worked on each program.
- **Agency Response** — The Department has identified the problem and sent a memo to all Motor Vehicle Enforcement employees stating that work activity must be recorded properly on a daily basis, effective October 1, 2015.
- **Conclusion** — Response accepted.

Internal Controls — Receipts and Disbursements. The Auditor's Office reported that the Department incorrectly reported FY 2015 receipts and disbursements to the Department of Administrative Services (DAS) as FY 2016 activity.

- **Recommendation** — The Department should implement procedures to ensure that all receipts and disbursements are identified and recorded under the proper fiscal year.
- **Agency Response** — The Department has implemented procedures to ensure that payables are properly identified.
- **Conclusion** — Response accepted.

Internal Controls — Motor Vehicle Enforcement Salvage Theft Exams — The Department is responsible for the Salvage Vehicle Theft Examination process, which physically verifies that stolen parts were not used to rebuild a vehicle and authenticates ownership of the vehicle. The Department did not properly implement procedures for the exams.

- **Recommendation** — The Department needs to implement various internal control procedures.
- **Agency Response** — As of September 1, 2016, the Department has implemented a new system to eliminate the internal control deficiencies.
- **Conclusion** — Response accepted.

Internal Controls — Wright Express Transaction Review — The Department assigns a Wright Express fuel card to each Department vehicle to purchase fuel and other maintenance items. Although the Department regularly reviews card transactions, it did not do so for two months of FY 2015. In addition, two card transactions were used to purchase items that cost an unreasonably high amount.

- **Recommendation** — The Department should document an independent review of Wright Express fuel card transactions on a monthly basis and resolve exceptions, if any, in a timely manner. In addition, the Department should ensure that costs of transactions are reasonable.
- **Agency Response** — Internal controls were improved for FY 2016, including conducting a review of transactions of the Wright Express fuel card transactions every month.
- **Conclusion** — Response accepted.

Invoices — Printed invoices have no distinguishing marks indicating the invoices have been paid.

- **Recommendation** — A distinguishing mark should be added to the printed invoices.
- **Agency Response** — The Department will implement updated technology that will add a distinguishing mark to printed invoices.
- **Conclusion** — Response accepted.

Service Contracts — Department policy 010.10 requires service contracts between \$500 and \$4,999 to be informally bid and service contracts greater than \$5,000 to be formally bid, unless the state has a contract with the vendor through the DAS. Two contracts were not acquired in a competitive manner and one pre-contract questionnaire for corporations was not completed.

- **Recommendation** — The Department should ensure that its policies and procedures are followed.
- **Agency Response** — The Department will clarify policies and procedures. Department policy 010.10 was amended in March 2016 to clarify that a pre-contract questionnaire is not required for corporations.
- **Conclusion:** Response accepted.

Motor Vehicle Division Uniform Purchases — The Motor Vehicle Division purchases clothing to use as uniforms from local and online retail vendors instead of through a contract as required by Department policy 100.04.

- **Recommendation** — The Department should establish a written contract with a vendor for clothing purchases as required by Department policy.
- **Response** — The Department has tried repeatedly to establish a contract with a vendor. The Department has recently negotiated a 50.0% discount for clothing purchases.
- **Conclusion from Auditor's Office** — The Department should ensure that a written contract is established.
- **Conclusion** — Response accepted.

Travel Expense Reimbursements — The Department implemented an electronic travel payment reimbursement system allowing employees to scan and upload original travel receipts into the system. The Department has not established a written policy regarding electronic travel payment reimbursement.

- **Recommendation** — The Department should develop and implement policies related to electronic payment reimbursements.
- **Response** — The Department is working on incorporating this recommendation.
- **Conclusion** — Response accepted.

Statutory Requirements — Targeted Small Businesses. The State Auditor's Office found that Iowa Code section [73.16](#) requires the Department, among other agencies, to establish a procurement goal for certified targeted small businesses each fiscal year.

- **Recommendation** — The Department should establish a dollar-amount procurement level that exceeds the actual targeted small businesses procurement amount from the previous fiscal year.
- **Response** — The Department has increased its goal and will submit required reports on a timely basis.
- **Conclusion** — The established goal was an increase over the previous year's goal, not the previous year's actual targeted small business procurements, as required.

Additional Information. The complete audit report is available on the State Auditor's [website](#).

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